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DEPARTMENT OF STATE

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S/P

May 18, 1976

NODIS

W/L c/pred

To: The Secretary
 From: EA - Philip C. Habib

Response to NSC Request for Updated Comments and Recommendations on NSSM-212: Security Assistance to the ROC

The NSC has asked us, DOD and CIA to forward by May 15 updated comments and recommendations on NSSM-212, US Security Assistance to the Republic of China (Tab 3) which has been pending in the NSC system since January 1975.

We believe the analysis contained in NSSM-212 (Tab 2) is still valid. The NSSM, which was undertaken in preparation for your November 1974 visit to Peking, examines the issue of ROC access to US arms in the context of our contradictory objectives of assuring Taiwan's security and stability while advancing normalization with the PRC. The paper postulates that well-defined limits must govern the transfer of arms: a significant increase over present levels could provoke the PRC and bolster ROC intransigence on the Taiwan issue; on the other hand, greatly reduced levels might lead Peking to conclude we no longer had an important interest in the security of Taiwan while leading a desperate ROC to actions which would complicate our China policy.

The paper emphasizes that in addition to specific military considerations, ROC access to US military equipment is of crucial importance in sustaining popular confidence and stability on Taiwan. It asserts that a carefully regulated supply of equipment represents a means to cushion the impact on the ROC of further normalization of US-PRC relations.

TOP SECRET

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-2-

Finally, the paper provides four options which range from minimizing arms supply as an obstacle to normalization to maximizing ROC security and confidence. The options are: 1) complete cut-off of ROC access to US weapons; 2) freezing ROC access to US weapons at current levels with replacement on a one-for-one basis; 3) limited ROC access to new weapons subject to careful consideration of the impact on US/PRC relations; 4) substantial ROC access to new weapons.

Our proposed response to the NSC request (Tab 1) reaffirms our original recommendation favoring cautious implementation of Option III. We believe this option would enable the ROC to maintain a credible deterrent and to preserve sufficient self-confidence to weather completion of normalization. We cite specific weapons which would be licensed for sale to the ROC to meet these objectives, but which, in our view, would not unduly provoke the PRC. We also point out that in the interim since the completion of the NSSM, we have in practice followed a policy on arms sales to the ROC substantially in accord with Option III.

Recommendation:

That you authorize transmittal of the paper at Tab 1 to Mr. Scowcroft.

Approve _____

Disapprove _____

Attachments:

- Tab 1 - Memo for Mr. Scowcroft
- Tab 2 - NSSM-212 of January 29, 1975 (Original only)
- Tab 3 - NSC Request for Updated
Comments on NSSM-212

Drafted: EA/ROC:BLcvn:bds 5/5/76 X22209
Concurrences: S/P - Mr. Lord
PM - Mr. Vast

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One of the most difficult aspects of our China policy is the question of ROC access to US military equipment. ROC confidence in continued access to US military equipment sufficient to maintain a credible deterrent against PRC attack may well be crucial in determining whether Taiwan successfully weathers normalization. At the same time, arms transfers to the ROC have the potential of placing a substantial strain on our developing relationship with the PRC.

The Department of State continues to regard NSSM-212 as a valid discussion of the issues involved in formulating an overall policy for US arms sales to Taiwan in the period prior to normalization.

In the interim since completion of the NSSM, the US Government has followed a policy on arms sales substantially in accord with the lower range of Option III, a course of action we continue to favor. We have already approved for sale some of the equipment mentioned in Annex C II of the NSSM as illustrative of the kinds of weapons which would be provided to the ROC under the low range of Option III, e.g., AIM-9E air-to-air missiles, S-2E aircraft for ASW use, the Improved Hawk for the air defense of Southern Taiwan, and the Vulcan anti-aircraft gun. Action on the TOW anti-tank missile, sale of which was recommended by the Department of Defense with our concurrence in March, 1975, remains pending before the NSC. We continue to perceive no objection to this transaction. We remain opposed, however, to the sale of the Harpoon missile to the ROC for the reasons given in our comments of January, 1975 on NSSM-212.

In handling specific ROC requests for arms, we have attempted to strike a balance between the contradictory objectives of sustaining ROC confidence while avoiding undue complication of our dealings with the PRC. Overall our effort is designed to keep the profile of our arms supply relationship with Taiwan as low as possible. We believe we have been reasonably successful in these endeavors.

TOP SECRET

XGDS-3

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-2-

There are, however, limits to how low our posture can get. Despite some increased procurement from third countries, for reasons postulated by the NSSM, the ROC will continue to remain overwhelmingly dependent on the US for its weaponry, especially for advanced weapons systems (such as aircraft) which are most visible and presumably most objectionable from Peking's standpoint. We have considered the possibility of quietly aiding the ROC to acquire indigenous production capability as a means of reducing its dependence on us. The ROC is already undertaking a major effort in this direction on its own. But even if we were to discount the complications of our relations with Peking which such assistance might involve, the little we might be able to accomplish before normalization is upon us would reduce short term ROC dependence on US arms imports only marginally at best.

It would be impractical and politically unacceptable for us to attempt to provide Taiwan a counter for every PRC weapons system. Our arms supply policy should concentrate on those areas which are crucial to Taiwan's security and of greatest concern to the ROC -- air and naval defense against blockade or seaborne invasion. Our licensing policy should be most forthcoming in these areas.

In considering specific licensing requests, we have also to bear in mind the problem of delivery dates. Delivery dates of weapons licensed now may stretch on until well into the post-normalization period. While this may have its positive aspects, as deliveries based on previous commitments may be less offensive to the PRC than new commitments, it also carries a potential for complicating relations with the PRC in years to come. We can try to keep this problem to a minimum, but there is no way to avoid it completely without risking severe damage to ROC morale and the island's defensive capability.

With these considerations in mind, and in order to offset the demoralizing impact of large military withdrawals contemplated for this year, we believe that, consistent with Option III of the NSSM, we should:

-- respond favorably to a pending ROC request for an additional commercial purchase of 60 aircraft under the existing F-5E co-production program. At the outset of the

TOP SECRET

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-3-

co-production program we and the ROC envisaged that the originally programmed one hundred aircraft would be followed by an additional hundred. The ROC's request would bring the total production run under this arrangement to 180, and extend it from 1978 through 1981. Unlike the current program, the additional aircraft would be financed commercially by the ROC rather than with FMS credits. This would go a long way toward taking care of the ROC's air defense needs through the early '80's.

Though the PRC expressed annoyance when the program started several years ago, it has not subsequently raised the issue, and is unlikely to view a gradual increase in the ROC's inventory of F-5's as a significant departure from what we are already doing. The delivery date is troublesome, but there seems to be little alternative if we wish to avoid the problems associated with a major deterioration in the ROC's ability to defend itself. To substitute direct sales of US manufactured aircraft would be even less palatable to Peking;

-- approve sales of additional MK-46 anti-submarine torpedoes for use by surface ships, and license sale of anti-submarine rockets (ASROC) and ASW helicopters to respond to deep ROC concern and improve ROC capabilities against the PRC's rapidly growing submarine force;

-- approve sale of limited quantities of less sophisticated models of laser bombs as a naval defense offset for the Harpoon missile, which we should continue to withhold from the ROC. The ROC's lack of an effective counter to the PRC's greatly superior ship-to-ship missile capabilities has become a growing morale problem for its Navy;

-- approve sale of the Vulcan/Phalanx air defense system for shipboard installation;

-- continue to give case-by-case examination to specific arms sales requests on the basis of the guidelines developed under Option III.

We further believe that, in order to prepare the ROC for the likely end to FMS credits or any other inter-governmental arrangements following completion of normalization, we should continue our present course of progressively reducing the level of FMS credit support to the ROC. Future

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-4-

military sales to the ROC should to the greatest extent possible be on a commercial rather than an intergovernmental basis.

Drafted: EA/ROC:CW Freeman, Jr.:bds 5/5/76 ext 22012
Concurrences: EA - Mr. Habib
S/P - Mr. Lord
PM - Mr. Vest
Concurred in by [Signature]

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TOP SECRETNODISMEMORANDUM FOR MR. BRENT SCOWCROFT
THE WHITE HOUSESubject: Update of Department of State Recommendations
and Comments on NSSM-212

In response to your request of March 18, 1976, the
Department of State's updated views and recommendations
on NSSM-212: US Security Assistance to the Republic of
China, are hereby transmitted.

George S. Springsteen
Executive Secretary

Attachment:

Paper on NSSM-212

Drafted: EA/ROC:CWFreeman,Jr.:bds 5/5/76 X22012

Concurrences: EA - Mr. Habib

S/P - Mr. Lord

PM - Mr. Vest

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NSC Desk

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March 18, 1976

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MEMORANDUM FOR

The Secretary of State
The Secretary of Defense
The Director of Central Intelligence

SUBJECT: U.S. Security Assistance to the
Republic of China: NSSM 212

The NSSM 212 study was circulated to the Agencies on
January 10, 1975. At that time formal agency comments
were solicited and received.

In light of developments of the past year and the recent
completion of studies relevant to the issue (DIA's Intelligence
Appraisal "Capabilities of Opposing Forces in the Taiwan
Strait" and CIA's study "PRC Military Options in the Taiwan
Strait and the South China Sea in 1976") the Agencies are
requested to again review, and if necessary, update their
recommendations and comments on the options the NSSM 212
study presented.

The recommendations should include specific types and categories
of weapons and equipment which each agency believes would be
appropriate and those judged inappropriate. Agencies should
submit their recommendations to this office no later than
April 5, 1976.

Jeanne W. Davis
Jeanne W. Davis
for Staff Secretary

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